

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2039-01
Bill No.: HB 905
Subject: Tax Credits; Historic Preservation; Economic Development Department
Type: Original
Date: April 18, 2011

Bill Summary: This proposal changes provisions relating to the historic structures rehabilitation tax credit.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	\$0	\$0	\$0
Total Estimated Net Effect on General Revenue Fund*	\$0	\$0	\$0

*Offsetting income and costs netting to zero.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Budget and Planning (BAP)** assume this proposal changes the application process for Historic Tax Credits, requiring both a preliminary and final application. The proposal also calls for an administrative fee up to one percent of the rehabilitation costs for each application. This fee will increase general and total state revenues by an unknown amount.

Officials at the **Department of Economic Development (DED)** assume this proposal revises several provisions relating to the Historic Preservation Tax Credit program, which is administered by the Department of Economic Development's (DED) Division of Business and Community Services (BCS). Specifically, the proposal adds subsection 10 which allows taxpayers to appeal any official decision, including all preliminary and final approvals and denials of approvals made by the DED or DNR regarding the Historic Preservation program, and allows them to submit their appeal to an independent third party appeals officer designated by DED. BCS anticipates that the implementation of this provision would result in the need for one additional FTE to administer the appeals process for the program. The FTE would be an Economic Development Incentive Specialist III and would be responsible for reviewing the tax credit appeal documents as submitted by the taxpayer and appeals officer, reviewing original application materials, responding to requests for information in regards to the appeals request, and attending meetings as needed.

Subsection 11 is added which allows DED to charge a fee of no more than 1% of the estimated costs of the rehabilitation for each application. DED assumes this provision will have an unknown positive impact over \$100,000, as the sole purpose of the fee is to fund the administration of the Historic Preservation tax credit program.

Oversight assumes that it is unclear how many taxpayers would request an appeal. Oversight assumes that DED can absorb the duties of this proposal with existing resources. Should DED experience a measurable increase in its workload as a direct result of this proposal then DED could request additional FTE in future budget requests.

Officials at the **Department of Natural Resources (DNR)** assume Section 253.559.7 eliminates the requirement that the applicant submit work for preliminary review by the State Historic Preservation Office (SHPO). Eliminating this requirement may streamline the process; however, it also introduces some degree of risk into the process that non-acceptable rehabilitation work will be done prior to SHPO review.

Section 253.559.10 allows for an appeals process where taxpayers or authorized representatives

ASSUMPTION (continued)

may appeal any official decision including all preliminary and final approvals or denial of approvals made by DED or DNR. Legislation allows DNR to submit a written response to the appeal and allows DNR to appear at meetings with the appeals officer. DNR is unable to estimate the number of appeals that may occur, therefore fiscal impact is unknown.

Section 253.559.11 allows DED to charge a fee of up to one percent of the estimated cost of rehabilitation for each preliminary application submitted to be used solely for the purpose of funding the administration of the Historic Preservation Tax Credit Program. Legislation may result in additional funding to DNR for our part in administering the Historic Preservation Tax Credit Program, however, the legislation does not require DED to charge the fee. Additionally, the department assumes that any such funding would be subject to appropriation.

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** and the **Department of Revenue** assume that there is no fiscal impact from this proposal.

Oversight assumes that all money received from the preliminary application fee will be used to pay the administration costs of the tax credit program including all DED and DNR expenses associated with the tax credit program. Oversight is showing the income and costs as netting to zero.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE			
<u>Income</u> - Dept of Economic Development preliminary application fee used to fund administration of tax credit program	Unknown	Unknown	Unknown
<u>Cost</u> - Dept of Economic Development administration of tax credit program including DED and DNR expenses	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Local Government

FY 2012
(10 Mo.)

FY 2013

FY 2014

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal changes provisions relating to the historic structures rehabilitation tax credit.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

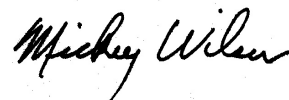
Budget and Planning

Department of Economic Development

Department of Insurance, Financial Institutions and Professional Registration

Department of Natural Resources

Department of Revenue



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